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CERTIFIED PUBLIC ACCOUNTANTS

**HIGHLAND COMMUNITY UNIT**  
**SCHOOL DISTRICT NO. 5**

FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED  
JUNE 30, 2016

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## **INDEPENDENT AUDITOR'S REPORT**

To the President and Board of Education  
Highland Community Unit School District No. 5  
Highland, Illinois

We have audited the accompanying financial statements of the Highland Community Unit School District No. 5 ("District") as of and for the year ended June 30, 2016, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of the Illinois State Board of Education as described in Note 1. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles**

As described in Note 1, the financial statements are prepared by the District on the basis of the financial reporting provisions of the Illinois State Board of Education, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the requirements of the Illinois State Board of Education. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and the accounting principles generally accepted in the United States of America, although not reasonably determined, are presumed to be material.

## **Adverse Opinion on U.S. Generally Accepted Accounting Principles**

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statements referred to in the first paragraph do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the District as of June 30, 2016, the changes in its financial position, or, where applicable, its cash flows for the year then ended.

## **Opinion on Regulatory Basis of Accounting**

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the District as of June 30, 2016, and the respective change in its financial position, on the basis of the financial reporting provisions of the Illinois State Board of Education, on the modified accrual basis, as described in Note 1.

## **Other Matters**

### Omitted Disclosure

The District has omitted disclosures required by Governmental Accounting Standards Board Statement 45 *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions*. The amount by which this disclosure would affect the financial statements is not reasonably determinable.

### Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Highland Community Unit School District No. 5's basic financial statements. The schedules listed as supplementary information in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements of Highland Community Unit School District No. 5. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the financial statements of the District.

Such information, except for the Schedule of Per Capita Tuition Charge and Average Daily Attendance (Unaudited), is the responsibility of management and has been derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in

the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Schedule of Federal Awards Comparative Information

The June 30, 2015 comparative information shown in the Schedule of Expenditures of Federal Awards was subjected to auditing procedures applied by us and our report dated September 26, 2015, expressed an unmodified opinion that such information was fairly stated in all material respects in relation to the June 30, 2015 financial statements taken as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2016 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*C. J. Schless & Company, LLC*

Certified Public Accountants  
Alton, Illinois  
October 7, 2016

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED  
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

To the President and Board of Education of  
Highland Community Unit School District No. 5  
Highland, Illinois

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Highland Community Unit School District No. 5 ("District") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 7, 2016. Our opinion was adverse because financial statements were not prepared in accordance with generally accepted accounting principles. However, the financial statements were found to be fairly stated, except for the effects of the omitted disclosures required by Governmental Accounting Standards Board Statement 45, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions*, on the modified accrual basis of accounting, in accordance with regulatory reporting requirements established by the Illinois State Board of Education, which is a comprehensive basis of accounting other than generally accepted accounting principles.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*C. Q. Schless & Company LLC*

Certified Public Accountants

Alton, IL

October 7, 2016



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH  
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the President and Board of Education  
Highland Community Unit School District No. 5  
Highland, Illinois

**Report on Compliance for Each Major Federal Program**

We have audited the Highland Community Unit School District No. 5's ("District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2016. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

**Opinion on Each Major Federal Program**

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal program for the year ended June 30, 2016.

## Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of District's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance what we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*C. J. Schlosser & Company LLC*

Certified Public Accountants  
Alton, IL

October 7, 2016

**STATEMENT OF ASSETS AND  
LIABILITIES ARISING FROM MODIFIED ACCRUAL TRANSACTIONS  
STATEMENT OF POSITION AS OF JUNE 30, 2016**

See Notes to Financial Statements

**HIGHLAND COMMUNITY UNIT SCHOOL DISTRICT NO. 5**

STATEMENT OF REVENUES, EXPENDITURES,  
OTHER FINANCING SOURCES (USES) AND CHANGES IN FUND BALANCE  
ALL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2016

	Educational	Operations & Maintenance	Debt Services	Transportation	IMRF/ Social Security	Capital Projects	Working Cash	Tort	Fire Prevention & Safety
Revenues:									
Local Sources	\$ 10,102,200	\$ 2,552,826	\$ 3,646,924	\$ 752,897	\$ 896,203	\$ -	\$ 188,492	\$ 952,272	\$ 180,310
State Sources	7,580,078	-	-	903,944	-	-	-	-	-
Federal Sources	1,853,087	-	-	-	-	-	-	-	-
Total Direct Revenues	19,535,365	2,552,826	3,646,924	1,656,841	896,203	-	188,492	952,272	180,310
Revenues for On-Behalf Payments	6,753,243	-	-	-	-	-	-	-	-
Total Revenues	26,288,608	2,552,826	3,646,924	1,656,841	896,203	-	188,492	952,272	180,310
Expenditures:									
Instruction	14,474,599	-	-	-	299,897	-	-	-	-
Support Services	4,904,800	2,383,899	-	1,872,801	581,888	2,272,007	-	805,345	332,445
Community Services	53,859	-	-	-	4,230	-	-	-	-
Nonprogrammed Charges	32,371	-	-	-	-	-	-	-	-
Debt Service	-	-	3,650,846	-	-	-	-	-	-
Total Direct Expenditures	19,465,629	2,383,899	3,650,846	1,872,801	886,015	2,272,007	-	805,345	332,445
Expenditures for On-Behalf Payments	6,753,243	-	-	-	-	-	-	-	-
Total Expenditures	26,218,872	2,383,899	3,650,846	1,872,801	886,015	2,272,007	-	805,345	332,445
Excess of Revenues Over (Under) Expenditures	69,736	168,927	(3,922)	(215,960)	10,188	(2,272,007)	188,492	146,927	(152,135)
Other Financing Sources (Uses):									
Transfer from (to) Other Funds	2,372	-	(2,372)	-	-	-	-	-	-
Proceeds From Debt	-	-	178,960	-	-	6,009,040	-	-	-
Premium on Bonds Sold	-	-	-	-	-	564,973	-	-	-
Other Sources (Uses)	-	-	-	-	-	(135,706)	-	-	-
Total Other Financing Sources (Uses)	2,372	-	176,588	-	-	6,438,307	-	-	-
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	72,108	168,927	172,666	(215,960)	10,188	4,166,300	188,492	146,927	(152,135)
Fund Balance, Beginning of Year	6,523	424,835	151,549	695,481	736,162	-	1,668,977	674,682	152,195
Fund Balance, End of Year	\$ 78,631	\$ 593,762	\$ 324,215	\$ 479,521	\$ 746,350	\$ 4,166,300	\$ 1,857,469	\$ 821,609	\$ 60

See Notes to Financial Statements

# HIGHLAND COMMUNITY UNIT SCHOOL DISTRICT NO. 5

## STATEMENT OF REVENUES FOR THE YEAR ENDED JUNE 30, 2016

	Educational	Operations & Maintenance	Debt Services	Transportation	IMRF/ Social Security	Capital Projects	Working Cash	Tort	Fire Prevention & Safety
Revenues:									
Local Sources:									
Property Taxes:									
General Levy	\$ 8,434,364	\$ 1,794,219	\$ 3,642,966	\$ 717,347	\$ 407,235	\$ -	\$ 178,911	\$ 947,375	\$ 178,911
Leasing Levy	178,911	-	-	-	-	-	-	-	-
Special Education Levy	143,129	-	-	-	-	-	-	-	-
Social Security/Medicare Only Levy	-	-	-	-	415,755	-	-	-	-
Total Property Taxes	8,756,404	1,794,219	3,642,966	717,347	822,990	-	178,911	947,375	178,911
Payments in Lieu of Taxes:									
Mobile Home Privilege Tax	5,447	-	20	-	-	-	-	-	-
Corporate Personal Property Replacement Taxes	-	453,282	-	-	66,225	-	-	-	-
Total Payments in Lieu of Taxes	5,447	453,282	20	-	66,225	-	-	-	-
Transportation Fees	-	-	-	31,945	-	-	-	-	-
Earnings on Investments	20,688	5,358	3,938	3,605	5,165	-	9,581	4,685	1,399
Food Services	673,025	-	-	-	-	-	-	-	-
Pupil Activities	256,840	27,791	-	-	-	-	-	-	-
Textbooks	239,950	-	-	-	-	-	-	-	-
Other:									
Rentals	54,997	196,452	-	-	-	-	-	-	-
Contributions and Donations from Private Sources	3,381	31,800	-	-	-	-	-	-	-
Refund of Prior Years' Expenditures	7,819	55	-	-	-	-	-	212	-
TIF Revenue	-	31,583	-	-	-	-	-	-	-
Drivers' Education Fees	52,675	-	-	-	-	-	-	-	-
Other	30,974	12,286	-	-	1,823	-	-	-	-
Total Other	149,846	272,176	-	-	1,823	-	-	212	-
Total Revenues from Local Sources	10,102,200	2,552,826	3,646,924	752,897	896,203	-	188,492	952,272	180,310
State Sources:									
Unrestricted Grants-in-Aid:									
General State Aid	6,033,531	-	-	-	-	-	-	-	-
Total Unrestricted Grants-in-Aid	6,033,531	-	-	-	-	-	-	-	-
Restricted Grants-in-Aid:									
Special Education - Private Facility Tuition	233,983	-	-	-	-	-	-	-	-
Special Education - Extraordinary	371,885	-	-	-	-	-	-	-	-
Special Education - Personnel	591,822	-	-	-	-	-	-	-	-
Special Education - Orphanage	28,452	-	-	-	-	-	-	-	-
Special Education - Summer School	8,779	-	-	-	-	-	-	-	-
Vocational Education	102,588	-	-	-	-	-	-	-	-
State Free Lunch and Breakfast	3,597	-	-	-	-	-	-	-	-
Driver Education	43,474	-	-	-	-	-	-	-	-
Transportation - Regular/Vocational	-	-	-	329,879	-	-	-	-	-
Transportation - Special Education	-	-	-	574,065	-	-	-	-	-

See Notes to Financial Statements

**HIGHLAND COMMUNITY UNIT SCHOOL DISTRICT NO. 5**

STATEMENT OF REVENUES  
FOR THE YEAR ENDED JUNE 30, 2016

	Educational	Operations & Maintenance	Debt Services	Transportation	IMRF/ Social Security	Capital Projects	Working Cash	Tort	Fire Prevention & Safety
Revenues:									
State Sources (continued):									
Restricted Grants-in-Aid (continued):									
Early Childhood - Block Grant	154,077	-	-	-	-	-	-	-	-
Other State	7,890	-	-	-	-	-	-	-	-
Total Restricted Grants-in-Aid	1,546,547	-	-	903,944	-	-	-	-	-
Total Revenues from State Sources	7,580,078	-	-	903,944	-	-	-	-	-
Federal Sources:									
Restricted Grants-in-Aid Received From									
Federal Government Through the State:									
Food Services	418,625	-	-	-	-	-	-	-	-
Title I - All	263,930	-	-	-	-	-	-	-	-
Federal Special Education	882,070	-	-	-	-	-	-	-	-
Vocational Education	16,122	-	-	-	-	-	-	-	-
McKinney Education for Homeless Children	753	-	-	-	-	-	-	-	-
Title II - Teacher Quality	59,698	-	-	-	-	-	-	-	-
Medicaid Matching Funds - Administrative Outreach	44,875	-	-	-	-	-	-	-	-
Medicaid Matching Funds - Fee-For-Service Program	138,844	-	-	-	-	-	-	-	-
Other Restricted Revenue from Federal Sources	28,170	-	-	-	-	-	-	-	-
Total Restricted Grants-in-Aid Received from Federal Government through the State	1,853,087	-	-	-	-	-	-	-	-
Total Revenues	\$ 19,535,365	\$ 2,552,826	\$ 3,646,924	\$ 1,656,841	\$ 896,203	\$ -	\$ 188,492	\$ 952,272	\$ 180,310

See Notes to Financial Statements

**HIGHLAND COMMUNITY UNIT SCHOOL DISTRICT NO. 5**

**STATEMENT OF EXPENDITURES, BUDGET TO ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2016**

	Salaries	Employee Benefits	Purchased Services	Supplies and Materials	Capital Outlay	Other Objects	Total	Budget
<b><u>Educational Fund:</u></b>								
Instruction:								
Regular Programs	\$ 7,379,576	\$ 984,985	\$ 130,254	\$ 289,696	\$ 94,501	\$ 4,548	\$ 8,883,560	\$ 8,888,502
Pre-K Programs	98,176	9,284	-	12,085	5,274	-	124,819	128,485
Special Education Programs	2,727,964	451,315	82,281	7,214	25,163	-	3,293,937	3,338,157
Remedial and Supplemental Programs K-12	168,467	81,239	-	6,661	-	-	256,367	187,284
CTE Programs	499,361	68,092	7,837	35,123	60,689	-	671,102	675,478
Interscholastic Programs	257,214	82,577	54,989	28,412	3,793	-	426,985	418,592
Summer School Programs	16,735	207	-	-	-	-	16,942	12,175
Drivers' Education Program	57,603	3,106	8,400	5,294	-	-	74,403	77,847
Special Education Programs K-12 - Private Tuition	-	-	-	-	-	726,484	726,484	681,000
Total Instruction	<u>11,205,096</u>	<u>1,680,805</u>	<u>283,761</u>	<u>384,485</u>	<u>189,420</u>	<u>731,032</u>	<u>14,474,599</u>	<u>14,407,520</u>
Support Services:								
Pupils:								
Attendance & Social Work Services	272,864	20,757	274	-	-	-	293,895	293,817
Guidance Services	208,485	22,712	-	-	-	-	231,197	229,594
Health Services	184,938	20,173	69,916	5,989	-	-	281,016	300,237
Psychological Services	195,956	24,555	484	-	-	-	220,995	221,472
Other	-	-	-	3,841	-	-	3,841	4,500
Total Support Services - Pupils	<u>862,243</u>	<u>88,197</u>	<u>70,674</u>	<u>9,830</u>	<u>-</u>	<u>-</u>	<u>1,030,944</u>	<u>1,049,620</u>
Instructional Staff:								
Improvement of Instruction Services	178,271	31,763	41,096	14,912	841	-	266,883	261,950
Educational Media Services	115,251	26,127	4,501	12,420	-	-	158,299	158,890
Assessment and Testing	-	-	-	39,039	-	-	39,039	44,350
Total Support Services - Instructional Staff	<u>293,522</u>	<u>57,890</u>	<u>45,597</u>	<u>66,371</u>	<u>841</u>	<u>-</u>	<u>464,221</u>	<u>465,190</u>
General Administration:								
Board of Education Services	-	-	62,005	2,463	-	30,126	94,594	117,050
Executive Administration Services	183,601	35,363	7,196	606	841	1,978	229,585	233,735
Special Area Administration Services	99,372	19,418	436	220	3,903	360	123,709	122,522
Total Support Services - General Administration	<u>282,973</u>	<u>54,781</u>	<u>69,637</u>	<u>3,289</u>	<u>4,744</u>	<u>32,464</u>	<u>447,888</u>	<u>473,307</u>

**HIGHLAND COMMUNITY UNIT SCHOOL DISTRICT NO. 5**

**STATEMENT OF EXPENDITURES, BUDGET TO ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2016**

	Salaries	Employee Benefits	Purchased Services	Supplies and Materials	Capital Outlay	Other Objects	Total	Budget
<b><u>Educational Fund (continued):</u></b>								
School Administration:								
Office of the Principal Services	966,549	272,585	20,404	1,071	1,025	3,285	1,264,919	1,260,538
Total Support Services - School Administration	966,549	272,585	20,404	1,071	1,025	3,285	1,264,919	1,260,538
Business:								
Direction of Business Support Services	170,020	11,269	3,006	887	841	1,005	187,028	187,156
Fiscal Services	77,415	10,517	67,580	2,007	8,477	-	165,996	161,196
Operation and Maintenance of Plant Services	4,517	590	716	1,521	-	-	7,344	21,298
Food Services	52,821	7,781	823,491	18,764	550	-	903,407	1,044,310
Total Support Services - Business	304,773	30,157	894,793	23,179	9,868	1,005	1,263,775	1,413,960
Central								
Data Processing Services	220,881	30,980	11,432	21,321	148,439	-	433,053	338,747
Total Support Services - Central	220,881	30,980	11,432	21,321	148,439	-	433,053	338,747
Total Support Services	2,930,941	534,590	1,112,537	125,061	164,917	36,754	4,904,800	5,001,762
Community Services	33,776	-	11,873	5,337	2,873	-	53,859	59,600
Nonprogrammed Charges:								
Payments to Other Districts & Govt Units								
Payments for Regular Programs	-	-	3,758	-	-	-	3,758	3,900
Payments for Special Education Programs	-	-	-	-	-	-	-	-
Payments for Regular Programs - Tuition	-	-	-	-	-	8,948	8,948	12,000
Payments for Special Education Programs - Tuition	-	-	-	-	-	19,665	19,665	25,000
Total Nonprogrammed Charges	-	-	3,758	-	-	28,613	32,371	40,900
Total Expenditures	\$ 14,169,813	\$ 2,215,395	\$ 1,411,929	\$ 514,883	\$ 357,210	\$ 796,399	\$ 19,465,629	\$ 19,509,782
<b><u>Operations and Maintenance Fund:</u></b>								
Support Services:								
Business:								
Facilities Acquisition and Construction Services	\$ -	\$ -	\$ -	\$ -	\$ 99,691	\$ -	\$ 99,691	\$ 140,500
Operation and Maintenance of Plant Services	1,155,095	158,686	233,333	678,351	58,723	20	2,284,208	2,361,316
Total Support Services	1,155,095	158,686	233,333	678,351	158,414	20	2,383,899	2,501,816
Total Expenditures	\$ 1,155,095	\$ 158,686	\$ 233,333	\$ 678,351	\$ 158,414	\$ 20	\$ 2,383,899	\$ 2,501,816



# **HIGHLAND COMMUNITY UNIT SCHOOL DISTRICT NO. 5**

## STATEMENT OF EXPENDITURES, BUDGET TO ACTUAL FOR THE YEAR ENDED JUNE 30, 2016

	Salaries	Employee Benefits	Purchased Services	Supplies and Materials	Capital Outlay	Other Objects	Total	Budget
<b><u>Bond and Interest Fund:</u></b>								
Debt Services:								
Interest on Bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 820,846	\$ 820,846	\$ 820,849
Bond Principal Retired	-	-	-	-	-	2,830,000	2,830,000	2,830,000
Total Debt Services	-	-	-	-	-	3,650,846	3,650,846	3,650,849
Total Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,650,846	\$ 3,650,846	\$ 3,650,849
<b><u>Transportation Fund:</u></b>								
Support Services:								
Business:								
Pupil Transportation Services	\$ 89,619	\$ 5,126	\$ 1,776,231	\$ 1,825	\$ -	\$ -	\$ 1,872,801	\$ 1,921,262
Total Support Services	89,619	5,126	1,776,231	1,825	-	-	1,872,801	1,921,262
Total Expenditures	\$ 89,619	\$ 5,126	\$ 1,776,231	\$ 1,825	\$ -	\$ -	\$ 1,872,801	\$ 1,921,262
<b><u>Municipal Retirement/Social Security Fund:</u></b>								
Instruction:								
Regular Programs	\$ -	\$ 111,857	\$ -	\$ -	\$ -	\$ -	\$ 111,857	\$ 116,765
Pre-K Programs	-	6,397	-	-	-	-	6,397	9,196
Special Education Programs	-	160,455	-	-	-	-	160,455	164,283
Remedial and Supplemental Programs	-	3,972	-	-	-	-	3,972	3,775
CTE Programs	-	7,096	-	-	-	-	7,096	7,215
Interscholastic Programs	-	8,397	-	-	-	-	8,397	8,665
Summer School	-	822	-	-	-	-	822	215
Drivers' Education Programs	-	901	-	-	-	-	901	808
Total Instruction	-	299,897	-	-	-	-	299,897	310,922
Support Services:								
Pupils:								
Attendance & Social Work Services	-	3,806	-	-	-	-	3,806	3,915
Guidance Services	-	2,898	-	-	-	-	2,898	2,977
Health Services	-	3,451	-	-	-	-	3,451	3,465
Psychological Services	-	3,583	-	-	-	-	3,583	2,545
Total Support Services - Pupils	-	13,738	-	-	-	-	13,738	12,902

**HIGHLAND COMMUNITY UNIT SCHOOL DISTRICT NO. 5**

**STATEMENT OF EXPENDITURES, BUDGET TO ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2016**

	Salaries	Employee Benefits	Purchased Services	Supplies and Materials	Capital Outlay	Other Objects	Total	Budget
<b><u>Municipal Retirement/Social Security Fund (continued):</u></b>								
Instructional Staff:								
Improvement of Instruction Services	-	21,722	-	-	-	-	21,722	11,488
Educational Media Services	-	12,304	-	-	-	-	12,304	14,074
Total Support Services - Instructional Staff	-	34,026	-	-	-	-	34,026	25,562
General Administration:								
Executive Administration Services	-	12,852	-	-	-	-	12,852	13,545
Special Area Administration Services	-	10,820	-	-	-	-	10,820	10,038
Total Support Services - General Administration	-	23,672	-	-	-	-	23,672	23,583
School Administration:								
Office of the Principal Services	-	118,070	-	-	-	-	118,070	76,171
Total Support Services - School Administration	-	118,070	-	-	-	-	118,070	76,171
Business:								
Direction of Business Support Services	-	33,354	-	-	-	-	33,354	33,692
Fiscal Services	-	43,282	-	-	-	-	43,282	20,620
Operation and Maintenance of Plant Services	-	260,057	-	-	-	-	260,057	237,707
Pupil Transportation Services	-	17,759	-	-	-	-	17,759	17,579
Food Services	-	10,566	-	-	-	-	10,566	10,310
Total Support Services - Business	-	365,018	-	-	-	-	365,018	319,908
Central:								
Data Processing Services	-	27,364	-	-	-	-	27,364	21,452
Total Support Services - Central	-	27,364	-	-	-	-	27,364	21,452
Total Support Services	-	581,888	-	-	-	-	581,888	479,578
Community Services	-	4,230	-	-	-	-	4,230	4,965
Provision for Contingencies	-	-	-	-	-	-	-	94,185
Total Expenditures	\$ -	\$ 886,015	\$ -	\$ -	\$ -	\$ -	\$ 886,015	\$ 889,650

**HIGHLAND COMMUNITY UNIT SCHOOL DISTRICT NO. 5**

**STATEMENT OF EXPENDITURES, BUDGET TO ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2016**

	Salaries	Employee Benefits	Purchased Services	Supplies and Materials	Capital Outlay	Other Objects	Total	Budget
<b><u>Capital Projects Fund</u></b>								
Support Services:								
Business:								
Facilities Acquisition and Construction								
Services	\$ -	\$ -	\$ 1,549	\$ -	\$ 2,270,458	\$ -	\$ 2,272,007	\$ 2,001,550
Total Support Services	-	-	1,549	-	2,270,458	-	2,272,007	2,001,550
Total Expenditures	\$ -	\$ -	\$ 1,549	\$ -	\$ 2,270,458	\$ -	\$ 2,272,007	\$ 2,001,550
<b><u>Tort Fund:</u></b>								
Support Services:								
General Administration:								
Workers' Compensation	\$ -	\$ -	\$ 133,899	\$ -	\$ -	\$ -	\$ 133,899	\$ 140,000
Unemployment Insurance	-	-	-	-	-	-	-	5,000
Insurance Payments	-	-	39,294	-	-	-	39,294	40,000
Educational, Inspectional, Supervisory Services								
Related to Loss Prevention or Reduction	381,059	58,838	42,511	-	-	-	482,408	475,412
Legal	-	-	29,324	-	-	-	29,324	3,500
Property Insurance	-	-	111,269	-	-	-	111,269	111,300
Vehicle Insurance	-	-	9,151	-	-	-	9,151	10,000
Total Support Services -								
General Administration	381,059	58,838	365,448	-	-	-	805,345	785,212
Total Support Services	381,059	58,838	365,448	-	-	-	805,345	785,212
Total Expenditures	\$ 381,059	\$ 58,838	\$ 365,448	\$ -	\$ -	\$ -	\$ 805,345	\$ 785,212

**HIGHLAND COMMUNITY UNIT SCHOOL DISTRICT NO. 5**

STATEMENT OF EXPENDITURES, BUDGET TO ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Salaries</u>	<u>Employee Benefits</u>	<u>Purchased Services</u>	<u>Supplies and Materials</u>	<u>Capital Outlay</u>	<u>Other Objects</u>	<u>Total</u>	<u>Budget</u>
<b><u>Fire Prevention and Safety Fund:</u></b>								
Support Services:								
Business:								
Facilities Acquisition and Construction Services	\$ -	\$ -	\$ -	\$ -	\$ 331,814	\$ -	\$ 331,814	\$ 323,445
Operation & Maintenance of Plant Services	-	-	631	-	-	-	631	8,000
Total Support Services - Business	-	-	631	-	331,814	-	332,445	331,445
Total Support Services	-	-	631	-	331,814	-	332,445	331,445
 Total Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 631</u>	<u>\$ -</u>	<u>\$ 331,814</u>	<u>\$ -</u>	<u>\$ 332,445</u>	<u>\$ 331,445</u>

## HIGHLAND COMMUNITY UNIT SCHOOL DISTRICT NO. 5

### NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

#### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of Highland Community Unit School District No. 5 have been prepared using the regulatory basis of accounting as allowed by state statute. The more significant of the District's accounting policies are described below.

##### **(a) Financial Reporting Entity**

The District's financial statements include the accounts of all District operations. The criteria for including organizations as component units within the District's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the District holds the corporate powers of the organization
- the District appoints a voting majority of the organization's board
- the District is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the District
- there is fiscal dependency by the organization on the District

The District participates in a joint venture for vocational reimbursements. This joint agreement is the Madison County Career and Technical Education System. The District has a voting member on the Board of the joint agreement. The District has no other financial interest in the joint agreement. The joint agreement is separately audited and is not included in these financial statements. The financial statements for the joint agreement can be obtained from the joint agreement.

##### **(b) Basis of Presentation – Fund Accounting**

The accounts of the District are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets and liabilities, fund balance, revenues and expenditures. The District maintains individual funds as required by the State of Illinois. The various funds are summarized by type in the financial statements. These funds are grouped as required for reports filed with the Illinois State Board of Education. District resources are allocated to and accounted for in individual funds based upon the

**HIGHLAND COMMUNITY UNIT SCHOOL DISTRICT NO. 5**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

purposes for which they are to be spent and the means by which spending activities are controlled. The District uses the following fund types and account groups:

**Governmental Fund Types**

Governmental funds are those through which most governmental functions of the District are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities are accounted for through governmental funds.

The Educational Fund and the Operations and Maintenance Fund are the general operating funds of the District. They are used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds, which include the Transportation Fund, the Municipal Retirement/Social Security Fund, the Tort Fund, and the Fire Prevention and Safety Fund, are used to account for cash received from specific sources (other than those accounted for in the Debt Services Fund or Fiduciary Funds) that is legally restricted to cash disbursements for specified purposes.

The Debt Services Fund accounts for the accumulation of resources for, and payment of, general long-term debt principal, interest and related costs.

**Fiduciary Fund Types**

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governments or other funds.

The Agency Fund (Activity Fund) includes both Student Activity Funds and Convenience Accounts. They account for assets held by the District as an agent for the students and teachers. These funds are custodial in nature and do not involve the measurement of the results of operations. The amounts due to the activity fund organizations are equal to the assets.

**General Fixed Assets and General Long-Term Debt Account Groups**

The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus. Fixed assets used in governmental fund type operations are accounted for in the General Fixed Assets Account Group, rather than in governmental funds. Long-term liabilities expected to be

**HIGHLAND COMMUNITY UNIT SCHOOL DISTRICT NO. 5**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

financed from governmental funds are accounted for in the General Long-Term Debt Account Group, not in the governmental funds.

The two account groups are not “funds”. They are concerned only with the measurement of financial position. They are not involved with measurement of results of operations.

(c) Basis of Accounting/Measurement Focus

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and how they are reported on the financial statements. The District maintains its accounting records for all funds and account groups on the modified accrual basis of accounting under guidelines prescribed by the Illinois State Board of Education. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period

The financial statements of all governmental funds focus on the measurement of spending or “financial flow” and the determination of changes in financial position, rather than upon net income determination. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of “available spendable resources”. Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of “available spendable resources” during a period.

Proceeds from debt issuance are included as other financing sources in the appropriate fund on the date received. Related debt principal payable in the future is recorded at the same time in the General Long-Term Debt Account Group.

(d) Budgets and Budgetary Accounting

The budget for all governmental fund types is prepared on the modified accrual basis of accounting. This is an acceptable method in accordance with Chapter 105, Act 5, Article 17.1 of the Illinois Compiled Statutes. The budget was passed on September 28, 2015. The budget was amended June 27, 2016.

For each fund, total fund expenditures disbursed may not legally exceed the budgeted amounts. The budget lapses at the end of each fiscal year.

**HIGHLAND COMMUNITY UNIT SCHOOL DISTRICT NO. 5**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

The District follows these procedures in establishing the budgetary data reflected in the financial statements.

1. Prior to July 1, the Superintendent submits to the Board of Education a proposed operating budget for the fiscal year commencing on that date. The operating budget includes proposed expenditures disbursed and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to October 1, the budget is legally adopted through passage of a resolution.
4. Formal budgetary integration is employed as a management control device during the year.
5. The Board of Education may make transfers between the various items in any fund not exceeding in the aggregate 10% of the total for such fund as set forth in the budget.
6. The Board of Education may amend the budget (in other ways) by the same procedures required of its original adoption. Budget was amended June 27, 2016.

(e) Investments

Investments are stated at fair value, which equals cost. Gains or losses on the sale of investments are recognized upon realization. The institutions in which investments are made must be approved by the Board of Education. The District pools the individual fund's cash balances in an interest bearing NOW account.

(f) General Fixed Assets

General fixed assets are acquired for general governmental purposes. At the time of purchase, assets are recorded as expenditures in the governmental or activity funds and capitalized at cost in the General Fixed Assets Account Group. Donated general fixed assets are stated at estimated fair market value as of the date of acquisition. Depreciation accounting is not considered applicable (except to determine the per capita tuition charge).

(g) Fund Balance Reporting

In accordance with Government Accounting Standards, fund balances are classified into five major classifications; Nonspendable Fund Balance,



**HIGHLAND COMMUNITY UNIT SCHOOL DISTRICT NO. 5**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

Restricted Fund Balance, Committed Fund Balance, Assigned Fund Balance, and Unassigned Fund Balance. The Regulatory Model, followed by the District, only reports Reserved and Unreserved Fund Balances. Below are definitions of the differences and a reconciliation of how these balances are reported.

A. Nonspendable Fund Balance

The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example inventories and prepaid amounts. The District does not have any items to report in this classification.

B. Restricted Fund Balance

The restricted fund balance classification refers to amounts that are subject to outside restrictions not controlled by the entity. Things such as restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments, or imposed by law through constitutional provisions or enabling legislation. Special Revenue Funds are by definition restricted for those specified purposes. The District has several revenue sources received within different funds that also fall into these categories.

- 1) Special Education - Revenues and the related expenditures of this restricted tax levy are accounting for in the Educational Fund. Expenditures exceeded revenue for this purpose, resulting in no restricted fund balance.
- 2) Social Security/Municipal Retirement - Expenditures and the related revenues of these restricted tax levies are accounted for in the Municipal Retirement/Social Security Fund. Revenue for Social Security exceeded expenditures for this purpose, resulting in a restricted fund balance of \$390,871. This balance is included in the financial statements as reserved in the Municipal Retirement/Social Security Fund.
- 3) Federal Grants - Proceeds from federal grants and the related expenditures have been included in the Educational Fund. At June 30, 2016, expenditures disbursed on federal grants exceeded the revenue received for those specific purposes, resulting in no restricted balance in the Educational Fund.

**HIGHLAND COMMUNITY UNIT SCHOOL DISTRICT NO. 5**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

C. Committed Fund Balance

The committed fund balance classification refers to amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision making authority (the School Board). Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of formal action it employed to previously commit those amounts.

The School Board commits fund balance by making motions or passing resolutions to adopt policy or to approve contracts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for satisfying those contractual requirements.

D. Assigned Fund Balance

The assigned fund balance classification refers to amounts that are constrained by the government's intent to be used for a specific purpose, but are neither restricted nor committed. Intent may be expressed by (a) the School Board itself or (b) the finance committee or by the Superintendent when the School Board has delegated the authority to assign amounts to be used for specific purposes.

E. Unassigned Fund Balance

The unassigned fund balance classification is the residual classification for amounts in the General Operating Funds for amounts that have not been restricted, committed, or assigned to specific purposes within the General Funds. Unassigned fund balance amounts are reported in the financial statements as unreserved fund balances in the Educational, Operations and Maintenance, and Working Cash Funds.

F. Regulatory – Fund Balance Definitions

Reserved Fund Balances are those balances that are reserved for a specified purpose, other than the regular purpose of any given fund. Unreserved fund balances are all balances that are not reserved for a specific purpose other than the specified purpose of a fund.

G. Reconciliation of Fund Balance Reporting

The first five columns of the following table represent Fund Balance Reporting according to generally accepted accounting principles. The last two columns represent Fund Balance Reporting under the regulatory basis of accounting utilized in preparation of the financial statements.

**HIGHLAND COMMUNITY UNIT SCHOOL DISTRICT NO. 5**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

Fund	Generally Accepted Accounting Principles					Regulatory Basis	
	Nonspendable	Restricted	Committed	Assigned	Unassigned	Financial Statements-Reserved	Financial Statements-Unreserved
Education	\$ -	\$ -	\$ -	\$ -	\$ 78,631	\$ -	\$ 78,631
Operations & Maintenance	-	-	-	-	593,762	-	593,762
Debt Service	-	324,215	-	-	-	-	324,215
Transportation	-	479,521	-	-	-	-	479,521
IMRF/ Social Security	-	746,350	-	-	-	390,871	355,479
Capital Projects	-	4,166,300	-	-	-	-	4,166,300
Working Cash	-	-	-	-	1,857,469	-	1,857,469
Tort Liability	-	821,609	-	-	-	-	821,609
Fire Prevention and Safety	-	-	-	-	60	-	60
	<u>\$ -</u>	<u>\$ 6,537,995</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,529,922</u>	<u>\$ 390,871</u>	<u>\$ 8,677,046</u>

**NOTE 2: CASH AND INVESTMENTS**

At June 30, 2016, the carrying amount of the District's deposits was \$13,439,038 and the bank balance was \$15,236,043. The deposits were comprised of NOW accounts and certificates of deposit that were either insured by FDIC coverage or collateralized by the pledging bank's trust department in the District's name.

**NOTE 3: GENERAL FIXED ASSETS**

A summary of changes in general fixed assets is as follows:

	Balance July 1, <u>2015</u>	<u>Additions</u>	<u>Deletions</u>	Balance June 30, <u>2016</u>
Land	\$ 629,698	\$ -	\$ -	\$ 629,698
Land Improvements	847,101	-	278,920	568,181
Buildings and Improvements	51,407,665	2,701,963	4,509,096	49,600,532
Transportation Equipment	30,000	-	-	30,000
Other Equipment	<u>2,864,365</u>	<u>415,933</u>	<u>395,891</u>	<u>2,884,407</u>
Total	<u>\$ 55,778,829</u>	<u>\$ 3,117,896</u>	<u>\$ 5,183,907</u>	<u>\$ 53,712,818</u>

The District capitalizes all capital outlay additions over \$500 that have a life in excess of one year. Depreciation accounting is not considered applicable (except to determine the per capita tuition charge). For purposes of the per capita tuition charge, depreciation expense is calculated using the straight line method and is \$1,314,672 for the year ended June 30, 2016. Total accumulated depreciation as of June 30, 2016 is \$15,264,668.

**HIGHLAND COMMUNITY UNIT SCHOOL DISTRICT NO. 5**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**NOTE 4: PROPERTY TAXES**

The District's property tax is levied each year on all taxable real property located in the District on or before the last Tuesday in December. The Board passed the 2015 levy on December 21, 2015. Property taxes attach as an enforceable lien on property as of January 1 and are payable in four installments. The District receives significant distributions of tax receipts beginning in June and July of each year. Property taxes recorded in these financial statements are from the 2014 and prior tax levies.

The following are the tax rate limits permitted by the Illinois School Code and by local referendum and the actual rates levied per \$100 of assessed valuation:

	Tax Levy Year		
	<u>2015</u>	<u>2014</u>	<u>2013</u>
Assessed Valuation	<u>\$ 364,372,434</u>	<u>\$ 360,266,066</u>	<u>\$ 356,277,231</u>
Tax Extensions by Levy:			
Educational	\$ 8,544,536	\$ 8,466,253	\$ 8,372,515
Operations and Maintenance	1,816,672	1,801,330	1,781,386
Bond and Interest	3,903,786	3,658,755	3,732,296
Transportation	726,669	720,532	712,554
Municipal Retirement	588,602	408,542	370,813
Social Security	442,905	417,548	370,813
Working Cash	181,667	180,133	178,139
Tort Immunity	1,101,993	951,823	952,899
Special Education	145,334	144,106	142,511
Fire Prevention and Safety	181,667	180,133	178,139
Lease	<u>181,667</u>	<u>180,133</u>	<u>178,139</u>
Total	<u>\$ 17,815,498</u>	<u>\$ 17,109,288</u>	<u>\$ 16,970,204</u>
	Tax Levy Year		
	<u>2015</u>	<u>2014</u>	<u>2013</u>
Tax Collections:			
Year Ended June 30:			
2014	\$ -	\$ -	\$ 1,248,912
2015	-	1,059,760	15,649,974
2016	<u>1,165,324</u>	<u>15,979,363</u>	<u>-</u>
Total	<u>\$ 1,165,324</u>	<u>\$ 17,039,123</u>	<u>\$ 16,898,886</u>
Percent of Total Levy Collected	<u>6.54%</u>	<u>99.59%</u>	<u>99.58%</u>

**HIGHLAND COMMUNITY UNIT SCHOOL DISTRICT NO. 5**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**NOTE 5: RETIREMENT FUND COMMITMENTS**

(a) Teachers Retirement System of the State of Illinois

**Plan description**

The employer participates in the Teachers' Retirement System of the State of Illinois (TRS). TRS is a cost-sharing multiple-employer defined benefit pension plan that was created by the Illinois legislature for the benefit of Illinois public school teachers employed outside the city of Chicago. TRS members include all active non annuitants who are employed by a TRS-covered employer to provide services for which teacher licensure is required. The Illinois Pension Code outlines the benefit provisions of TRS, and amendments to the plan can be made only by legislative action with the Governor's approval. The TRS Board of Trustees is responsible for the System's administration.

TRS issues a publicly available financial report that can be obtained at <http://trs.illinois.gov/pubs/cafr>; by writing to TRS at 2815 W. Washington, PO Box 19253, Springfield, IL 62794; or by calling (888) 877-0890, option 2.

**Benefits provided**

TRS provides retirement, disability, and death benefits. Tier I members have TRS or reciprocal system service prior to January 1, 2011. Tier I members qualify for retirement benefits at age 62 with five years of service, at age 60 with 10 years, or age 55 with 20 years. The benefit is determined by the average of the four highest years of creditable earnings within the last 10 years of creditable service and the percentage of average salary to which the member is entitled. Most members retire under a formula that provides 2.2 percent of final average salary up to a maximum of 75 percent with 34 years of service. Disability and death benefits are also provided.

Tier II members qualify for retirement benefits at age 67 with 10 years of service, or a discounted annuity can be paid at age 62 with 10 years of service. Creditable earnings for retirement purposes are capped and the final average salary is based on the highest consecutive eight years of creditable service rather than the last four. Disability provisions for Tier II are identical to those of Tier I. Death benefits are payable under a formula that is different from Tier I.

Essentially all Tier I retirees receive an annual 3 percent increase in the current retirement benefit beginning January 1 following the attainment of age 61 or on January 1 following the member's first anniversary in retirement, whichever is later. Tier II annual increases will be the lesser of three percent of the original benefit or one-half percent of the rate of inflation beginning January 1 following attainment of age 67 or on January 1 following the member's first anniversary in retirement, whichever is later.

**HIGHLAND COMMUNITY UNIT SCHOOL DISTRICT NO. 5**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**Contributions**

The State of Illinois maintains the primary responsibility for funding TRS. The Illinois Pension Code, as amended by Public Act 88-0593 and subsequent acts, provides that for years 2010 through 2045, the minimum contribution to the System for each fiscal year shall be an amount determined to be sufficient to bring the total assets of the System up to 90 percent of the total actuarial liabilities of the System by the end of fiscal year 2045.

Contributions from active members and TRS contributing employers are also required by the Illinois Pension Code. The contribution rates are specified in the pension code. The active member contribution rate for the year ended June 30, 2016, was 9.4 percent of creditable earnings. The member contribution, which may be paid on behalf of employees by the employer, is submitted to TRS by the employer.

On behalf contributions to TRS. The State of Illinois makes employer pension contributions on behalf of the employer. For the year ended June 30, 2016, State of Illinois contributions recognized by the employer were based on the state's proportionate share of the collective net pension liability associated with the employer, and the employer recognized revenue and expenditures of \$6,753,243 in pension contributions from the State of Illinois.

2.2 formula contributions. Employers contribute 0.58 percent of total creditable earnings for the 2.2 formula change. The contribution rate is specified by statute. Contributions for the year ended June 30, 2016, were \$73,630.

Federal and special trust fund contributions. When TRS members are paid from federal and special trust funds administered by the employer, there is a statutory requirement for the employer to pay an employer pension contribution from those funds. Under a policy adopted by the TRS Board of Trustees that has been in effect since the fiscal year ended June 30, 2006, employer contributions for employees paid from federal and special trust funds will be the same as the state contribution rate to TRS. Public Act 98-0674 now requires the two rates to be the same.

For the year ended June 30, 2016, the employer pension contribution was 36.06 percent of salaries paid from federal and special trust funds. For the year ended June 30, 2016, salaries totaling \$192,447 were paid from federal and special trust funds that required employer contributions of \$69,396.

Employer retirement cost contributions. Under GASB Statement No. 68, contributions that an employer is required to pay because of a TRS member retiring are categorized as specific liability payments. The employer is required to make a one-time contribution to TRS for members retiring under the Early Retirement Option (ERO). The payments vary depending on the member's age and salary. The maximum employer ERO contribution under the current program

**HIGHLAND COMMUNITY UNIT SCHOOL DISTRICT NO. 5**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

is 146.5 percent and applies when the member is age 55 at retirement. For the year ended June 30, 2016, the employer paid \$144,970.26 to TRS for employer ERO contributions.

The employer is also required to make a one-time contribution to TRS for members granted salary increases over 6 percent if those salaries are used to calculate a retiree's final average salary. A one-time contribution is also required for members granted sick leave days in excess of the normal annual allotment if those days are used as TRS service credit. For the year ended June 30, 2016, the employer did not make any payments to TRS for employer contributions due on salary increases in excess of 6 percent and made payments of \$6,358.23 for sick leave days granted in excess of the normal annual allotment.

**Pension Liabilities and Pension Expense**

At June 30, 2016, the employer reported a liability for its proportionate share of the net pension liability (first amount shown below) that reflected a reduction for state pension support provided to the employer. The state's support and total are for disclosure purposes only. The amount recognized by the employer as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with the employer were as follows:

Employer's proportionate share of the net pension liability	\$ 2,490,234
State's proportionate share of the net pension liability associated with the employer	<u>82,428,568</u>
Total	<u>\$ 84,918,802</u>

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014, and rolled forward to June 30, 2015. The employer's proportion of the net pension liability was based on the employer's share of contributions to TRS for the measurement year ended June 30, 2015, relative to the projected contributions of all participating TRS employers and the state during that period. At June 30, 2015, the employer's proportion was .003801 percent, which was an increase of .000026 percent from its proportion measured as of June 30, 2014.

**Actuarial assumptions**

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00 percent
Salary increases	Varies by amount of service credit
Investment rate of return	7.50 percent, net of pension plan investment expense, including inflation

**HIGHLAND COMMUNITY UNIT SCHOOL DISTRICT NO. 5**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

Mortality rates were based on the RP-2014 White Collar Table with adjustments as appropriate for TRS experience. The rates are used on a fully-generational basis using projection table MP-2014.

The actuarial assumptions for the years ended June 30, 2015 and 2014 were different. The actuarial assumptions used in the June 30, 2015 valuation were based on the 2015 actuarial experience analysis. The investment return assumption remained at 7.5 percent, salary increase assumptions were lowered, retirement rates were increased, mortality updates were made and other assumptions were revised. The actuarial assumptions used in the June 30, 2014 valuation were based on updates to economic assumptions adopted in 2014 which lowered the investment return assumption from 8.0 percent to 7.5 percent. The salary increase and inflation assumptions were also lowered from their 2013 levels.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class that were used by the actuary are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. large cap	18%	7.53%
Global equity excluding U.S.	18%	7.88%
Aggregate bonds	16%	1.57%
U.S. TIPS	2%	2.82%
NCREIF	11%	5.11%
Opportunistic real estate	4%	9.09%
ARS	8%	2.57%
Risk parity	8%	4.87%
Diversified inflation strategy	1%	3.26%
Private equity	<u>14%</u>	12.33%
Total	<u>100%</u>	

**Discount rate**

At June 30, 2015, the discount rate used to measure the total pension liability was a blended rate of 7.47 percent, which was a change from the June 30, 2014 rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions, employer contributions, and state contributions will be made at the current statutorily-required rates.

Based on those assumptions, TRS's fiduciary net position at June 30, 2015 was not projected to be available to make all projected future benefit payments of



**HIGHLAND COMMUNITY UNIT SCHOOL DISTRICT NO. 5**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

current active and inactive members and all benefit recipients. Tier I's liability is partially-funded by Tier II members, as the Tier II member contribution is higher than the cost of Tier II benefits. Due to this subsidy, contributions from future members in excess of the service cost are also included in the determination of the discount rate. Despite the subsidy, all projected future payments were not covered, so a slightly lower long-term expected rate of return on TRS investments was applied to all periods of projected benefit payments to determine the total pension liability.

At June 30, 2014, the discount rate used to measure the total pension liability was 7.50 percent. The discount rate was the same as the actuarially-assumed rate of return on investments that year because TRS's fiduciary net position and the subsidy provided by Tier II were sufficient to cover all projected benefit payments.

**Sensitivity of the employer's proportionate share of the net pension liability to changes in the discount rate**

The following presents the employer's proportionate share of the net pension liability calculated using the discount rate of 7.47 percent, as well as what the employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.47 percent) or 1-percentage-point higher (8.47 percent) than the current rate.

	1% Decrease (6.47%)	Current Discount Rate (7.47%)	1% Increase (8.47%)
Employer's proportionate share of the net pension liability	\$ 3,077,319	\$ 2,490,234	\$2,008,809

**TRS fiduciary net position**

Detailed information about the TRS's fiduciary net position as of June 30, 2015 is available in the separately issued TRS *Comprehensive Annual Financial Report*.

(b) Illinois Municipal Retirement Fund

*Plan Description.* The District's defined benefit pension plan for regular employees provides retirement and disability benefits, post retirement increases, and death benefits to plan members and beneficiaries. The District's plan is managed by the Illinois Municipal Retirement Fund (IMRF), the administrator of a multiple-employer public pension fund. A summary of IMRF's pension benefits is provided in the "Benefits Provided" section of this document. Details of all benefits are available from IMRF. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available Comprehensive Annual Financial Report that includes financial statements, detailed information about the pension plan's fiduciary net position and required supplementary information. The report is available for download at [www.imrf.org](http://www.imrf.org).

**HIGHLAND COMMUNITY UNIT SCHOOL DISTRICT NO. 5**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

*Benefits Provided.* IMRF has three benefit plans. The vast majority of IMRF members participate in the Regular Plan (RP). The Sheriff's Law Enforcement Personnel (SLEP) plan is for sheriffs, deputy sheriffs and selected police chiefs. Counties could adopt the Elected County Official (ECO) plan for officials elected prior to August 8, 2011 (the ECO plan was closed to new participants after that date).

All three IMRF benefit plans have two tiers. Employees hired *before* January 1, 2011 are eligible for Tier 1 benefits. Tier 1 employees are vested for pension benefits when they have at least eight years of qualifying service credit. Tier 1 employees who retire at age 55 (at reduced benefits) or after age 60 (at full benefits) with eight years of service credit are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3% of the final rate of earnings for the first 15 years of service credit, plus 2% for each year of service credit after 15 years to a maximum of 75% of their final rate of earnings. Final rate of earnings is the highest total earnings during any consecutive 48 months within the last 10 years of service, divided by 48. Under Tier 1, the pension is increased by 3% of the original amount on January 1 every year after retirement.

Employees hired *on or after* January 1, 2011, are eligible for Tier 2 benefits. For Tier 2 employees, pension benefits vest after ten years of service. Participating employees who retire at age 62 (at reduced benefits) or after age 67 (at full benefits) with ten years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3% of the final rate of earnings for the first 15 years of service credit, plus 2% for each year of service credit after 15 years to a maximum of 75% of their final rate of earnings. Final rate of earnings is the highest total earnings during any 96 consecutive months within the last 10 years of service, divided by 96. Under Tier 2, the pension is increased on January 1 every year after retirement, upon reaching age 67, by the *lesser* of: 3% of the original pension amount, or 1/2 of the increase in the Consumer Price Index of the original pension amount.

*Employees Covered by Benefit Terms.* As of December 31, 2015, the following employees were covered by the benefit terms:

Retirees and Beneficiaries	86
Inactive, non-Retired Members	107
Active Members	<u>107</u>
Total	<u>300</u>

*Contributions.* As set by statute, the Employer's Regular Plan Members are required to contribute 4.50% of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The Employer's annual contribution rate for calendar year 2015 was 12.20 percent. For the calendar year 2015 the Employer contributed \$366,184 to the plan. The Employer also contributes for disability benefits, death benefits and supplemental

**HIGHLAND COMMUNITY UNIT SCHOOL DISTRICT NO. 5**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

*Net Pension Liability.* The Employer's net pension liability was measured as of December 31, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

*Actuarial Assumptions.* The following are the methods and assumptions used to determine pension liability at December 31, 2015:

**Methods and Assumptions Used to Determine 2015 Contribution Rates:**

Actuarial Cost Method	Aggregate Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	28 year closed period until remaining period reaches 15 years
	Early Retirement Incentive Plan liabilities: a period up to 10 years selected by the Employer upon adoption of ERI.
Asset Valuation Method	5-Year smoothed market; 20% corridor
Wage growth	4.00%
Price Inflation	3.0% - approximate; No explicit price inflation assumption is used in this valuation.
Salary Increases	4.40% to 16.00% including inflation
Investment Rate of Return	7.50%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2011 valuation pursuant to an experience study of the period 2008-2010.
Mortality	RP-2000 Combined Health Mortality Table, adjusted for mortality improvements to 2020 using projection scale AA. For men 120% of the table rates were used. For women 92% of the table rates were used. For disabled lives, the mortality rates are the rates applicable to non-disabled lives set forward 10 years.

*Long-term Expected Rate of Return* on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return to the target asset allocation percentage and adding expected inflation.

**HIGHLAND COMMUNITY UNIT SCHOOL DISTRICT NO. 5**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table as of December 31, 2015:

<u>Asset Class</u>	<u>Portfolio Target Percentage</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	38%	7.39%
International Equity	17%	7.59%
Fixed Income	27%	3.00%
Real Estate	8%	6.00%
Alternative Investments	9%	2.75-8.15%
Cash Equivalents	<u>1%</u>	2.25%
Total	100%	

The *Single Discount Rate* (SDR) of 7.50% was used to measure the total pension liability. The projection of the cash flow used to determine this Single Discount Rate assumed that the plan members' contributions will be made at the current contribution rate, and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. The SDR reflects (1) the long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating (which is published by the Federal Reserve) as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of this valuation, the expected rate of return on plan investments is 7.50%; the municipal bond rate is 3.57%; and the resulting single discount rate is 7.46%.

*Sensitivity of the Net Pension Liability to Changes in the Discount Rate* The following presents the plan's net pension liability, calculated using a Single Discount Rate of 7.46%, as well as what the plan's net pension liability would be if it were calculated using a Single Discount Rate that is 1% lower or 1% higher.

	1% Decrease	Current Single Discount Rate Assumption	1% Increase
	<u>6.46%</u>	<u>7.46%</u>	<u>8.46%</u>
Total Pension Liability	\$ 19,536,944	\$ 17,407,010	\$ 15,630,595
Plan Fiduciary Net Position	14,412,428	14,412,428	14,412,428
Net Pension Liability/(Asset)	<u>\$ 5,124,516</u>	<u>\$ 2,994,582</u>	<u>\$ 1,218,167</u>

**HIGHLAND COMMUNITY UNIT SCHOOL DISTRICT NO. 5**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

*Net Pension Liability.* The following is a summary of the Net Pension Liability as disclosed in the financial statements.

	(A)	(B)	(A)-(B)
Balances at December 31, 2014	\$ 16,566,437	\$ 14,660,657	\$ 1,905,780
Changes for the year:			
Service Cost	355,942		355,942
Interest on the Total Pension Liability	1,221,964		1,221,964
Changes in Benefit Terms	-		-
Differences between Expected and Actual Experience of the Total Pension Liability	39,293		39,293
Changes of Assumptions	39,368		39,368
Contributions - Employer		366,184	(366,184)
Contributions - Employees		157,379	(157,379)
Net Investment Income		72,572	(72,572)
Benefit Payments, including Refunds of Employee Contributions	(815,994)	(815,994)	-
Other (Net Transfer)	-	(28,370)	28,370
Net Changes	\$ 840,573	\$ (248,229)	\$ 1,088,802
Balances at December 31, 2015	\$ 17,407,010	\$ 14,412,428	\$ 2,994,582

*Actuarial Assumptions.* The following are the actuarial assumptions used in the calculation of the net pension liability.

Actuarial Valuation Date	12/31/15
Measurement Date of the Net Pension Liability	12/31/15
Fiscal Year End	06/30/16

Development of the Single Discount Rate as of December 31, 2015	
Long-Term Expected Rate of Investment Return	7.50%
Long-Term Municipal Bond Rate	3.57%
Last year ending December 31 in the 2016 to 2115 projection period for which projected benefit payments are fully funded	2079
Resulting Single Discount Rate based on the above development	7.46%
Single Discount Rate calculated using December 31, 2014 Measurement Date	7.48%

The Long-Term Municipal Bond Rate is based on the Bond Buyer 20-Bond Index of general obligation municipal bonds as of December 31, 2015.

***Other Information***

There were no benefit changes during the year.

**HIGHLAND COMMUNITY UNIT SCHOOL DISTRICT NO. 5**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

(c) Social Security

Employees not qualifying for coverage under the State of Illinois Teachers' Retirement System are covered by Social Security. The District paid \$394,223, the total required contribution for the current fiscal year.

**NOTE 6: INTERFUND TRANSFERS**

Interfund transfers for the year ending June 30, 2016 are as follows:

<u>From</u>	<u>To</u>	<u>Amount</u>
Debt Services Fund	Educational Fund	\$ 2,372

**NOTE 7: BONDS AND LEASES PAYABLE**

The following is a summary of debt transactions of the District for the year ended June 30, 2016:

	<u>Bonds Payable</u>
Payable, July 1, 2015	\$ 21,785,000
Issued During Year	6,188,000
Retirements During Year	(2,830,000)
Refunded During Year	-
Payable, June 30, 2016	<u>\$ 25,143,000</u>

As of June 30, 2016, the District has the following general obligation bond requirements:

General Obligation Refunding Bonds Series 2005A, dated March 22, 2005 provides for the annual retirement of principal at the rate of \$1,150,000 to \$1,980,000. Interest is payable on February 1 and August 1 of each year at the rate of 4.20% to 5.00%. \$ 4,370,000

General Obligation School Bonds, Series 2007, dated May 3, 2007 provides for the retirement of principal in one final payment on February 1, 2017. Interest is payable on February 1 and August 1 of each year at the rate of 4.95%. \$ 270,000

**HIGHLAND COMMUNITY UNIT SCHOOL DISTRICT NO. 5**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

General Obligation Refunding Bonds Series 2008, dated September 8, 2008 provides for the annual retirement of principal at the rate of \$525,000 to \$595,000. Interest is payable on January 1 and July 1 of each year at the rate of 4.10%. This issue advance refunded a portion of the Series 1998 bond issue.

\$ 1,120,000

General Obligation Refunding Bonds Series 2012, dated March 6, 2012 provides for the annual retirement of principal at the rate of \$285,000 to \$1,990,000. Interest is payable on August 1 and February 1 of each year at the rate of 2.75% to 3.00%. This issue advance refunded the Series 2002A bond issue.

\$ 2,275,000

Taxable General Obligation Working Cash Bonds, Series 2013A, dated June 28, 2013 provides for the annual retirement of principal at the rate of \$125,000 to \$600,000. Interest is payable on February 1 and August 1 of each year at the rate of 2.15% to 3.25%.

\$ 1,205,000

General Obligation Refunding Bonds Series 2013B, dated June 28, 2013 provides for the annual retirement of principal at the rate of \$220,000 to \$2,250,000. Interest is payable on February 1 and August 1 of each year at the rate of 3.00% to 4.00%. This issue advance refunded a portion of the Series 2005B bond issue.

\$ 5,050,000

General Obligation School Bonds, Series 2015, dated April 22, 2015 provides for the annual retirement of principal at the rate of \$395,000 to \$550,000. Interest is payable on February 1 and August 1 of each year at the rate of 3.00% to 4.00%. This issue advance refunded a portion of the Series 2006 bond issue.

\$ 4,665,000

General Obligation School Bonds, Series 2016A, dated February 11, 2016 provides for the retirement of principal in one payment on February 1, 2017 of \$433,000. Interest is payable on February 1 at the rate of 3.875%.

\$ 433,000

**HIGHLAND COMMUNITY UNIT SCHOOL DISTRICT NO. 5**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

General Obligation School Bonds, Series 2016B, dated April 13, 2016 provides for the annual retirement of principal at the rate of \$200,000 to \$1,400,000. Interest is payable on February 1 and August 1 of each year at the rate of 2.00% to 4.00%.

\$ 5,755,000

The annual requirements to amortize all bonds outstanding at June 30, 2016 are as follows:

Year Ending <u>June 30,</u>	Bond <u>Principal</u>	Bond <u>Interest</u>	<u>Total</u>
2017	3,143,000	939,745	4,082,745
2018	3,075,000	861,263	3,936,263
2019	2,810,000	744,237	3,554,237
2020	3,025,000	617,350	3,642,350
2021	2,885,000	522,250	3,407,250
2022-2026	8,805,000	1,255,600	10,060,600
2027	<u>1,400,000</u>	<u>56,000</u>	<u>1,456,000</u>
Total	<u>\$ 25,143,000</u>	<u>\$ 4,996,445</u>	<u>\$ 30,139,445</u>

The computation of legal debt margin at June 30, 2016 is as follows:

Bonded Debt Limit*	\$ 50,283,396
Bonded Indebtedness	<u>25,143,000</u>
Legal Debt Margin	<u>\$ 25,140,396</u>

The bonded indebtedness of the District is limited by the School Code to 13.8% of the assessed valuation of taxable tangible property for unit districts.

**NOTE 8: RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; thefts of, damage to and destruction of assets; errors and omissions and natural disasters for which the District carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverages in the past three years.

**NOTE 9: POSTEMPLOYMENT HEALTHCARE PLAN**

The District participates in the Teacher Health Insurance Security (THIS) Fund, a cost-sharing, multiple-employer defined benefit postemployment healthcare plan that was established by the Illinois legislature for the benefit of Illinois public school teachers employed outside the City of Chicago. The THIS Fund provides medical, prescription, and behavioral health benefits, but does not provide vision, dental or life insurance benefit to annuitants of the Teachers' Retirement System



**HIGHLAND COMMUNITY UNIT SCHOOL DISTRICT NO. 5**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

(TRS). Annuitants not enrolled in Medicare may participate in the state administered participating provider option plan or choose from several managed care options. Annuitants who were enrolled in Medicare Parts A and B may be eligible to enroll in a Medicare Advantage plan.

The State Employees Group Insurance Act of 1971 (5 ILCS 375) outlines the benefit provisions of THIS Fund and amendments to the plan can be made only by legislative action with the Governor's approval. The plan is administered by the Illinois Department of Central Management Services (CMS) with the cooperation of TRS. Section 6.6 of the State Employees Group Insurance Act of 1971 requires all active contributors to the TRS who are not employees of the state make a contribution to the THIS Fund.

The percentage of employer required contributions in the future will not exceed 105 percent of the percentage of salary actually required to be paid in the previous fiscal year.

**On-behalf contributions to THIS Fund.** The state of Illinois makes employer retiree health insurance contributions on behalf of the District. State contributions are intended to match contributions to THIS Fund from active members which were 1.07 percent of pay during the year ended June 30, 2016. State of Illinois contributions were \$135,834, and the District recognized revenue and expenditures of this amount during the year.

**Employer contributions to THIS Fund.** The District also makes contributions to THIS Fund. The District THIS Fund contribution was 0.80 percent during the year ended June 30, 2016. For the year ended June 30, 2016, the District paid \$101,558 to the THIS Fund, which was 100 percent of the required contribution.

The publicly available financial report of the THIS Fund may be found on the website of the Illinois Auditor General: <http://www.auditor.illinois.gov/Audit-Reports/ABC-List.asp>. The current reports are listed under "Central Management Services." Prior reports are available under "Healthcare and Family Services."

**NOTE 10: SUBSEQUENT EVENTS**

The District has evaluated events occurring after the financial statement date through October 7, 2016 in order to determine their potential for recognition or disclosure in the financial statements. The latter date is the same date the financial statements were available to be issued.

**HIGHLAND COMMUNITY UNIT SCHOOL DISTRICT NO. 5**

STATEMENT OF ASSETS AND  
LIABILITIES ARISING FROM MODIFIED ACCRUAL TRANSACTIONS  
ACTIVITY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2016

ASSETS

Investments	\$ 462,786
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LIABILITIES AND FUND BALANCE

Due to Activity Fund Organizations	\$ 462,786
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Total Liabilities	462,786
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Fund Balance	-
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	\$ 462,786
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**HIGHLAND COMMUNITY UNIT SCHOOL DISTRICT NO. 5**

**SCHEDULE OF PER CAPITA TUITION CHARGE  
AND AVERAGE DAILY ATTENDANCE  
(UNAUDITED)**

<u>June 30,</u>	<u>Per Capita Tuition</u>	<u>Allowable Expenses</u>	<u>Average Daily Attendance</u>
2007	\$ 6,532	\$ 19,534,646	2,990.60
2008	7,296	21,610,229	2,961.82
2009	7,827	22,542,692	2,880.00
2010	7,843	22,588,937	2,880.22
2011	7,218	20,789,306	2,880.39
2012	7,461	21,422,136	2,871.18
2013	7,703	22,063,891	2,864.45
2014	7,374	21,019,662	2,850.40
2015	7,504	20,750,826	2,765.33
2016	7,537	20,469,319	2,715.80

**ANNUAL FEDERAL FINANCIAL COMPLIANCE REPORT (COVER SHEET)**  
**DISTRICT/JOINT AGREEMENT**  
**Year Ending June 30, 2016**

DISTRICT/JOINT AGREEMENT NAME <b>Highland Community Unit School D</b>	RCDT NUMBER <b>41-057005026</b>	CPA FIRM 9-DIGIT STATE REGISTRATION NUMBER <b>066-003590</b>	
ADMINISTRATIVE AGENT IF JOINT AGREEMENT (as applicable)		NAME AND ADDRESS OF AUDIT FIRM <b>CJ Schlosser &amp; Company, LLC</b> <b>233 East Center Drive</b> <b>Alton IL 62002</b>	
ADDRESS OF AUDITED ENTITY (Street and/or P.O. Box, City, State, Zip Code)  <b>400 Broadway</b> <b>Highland</b> <b>IL 62249</b>		E-MAIL ADDRESS: <b>ktepen@cjsco.com</b>	
		NAME OF AUDIT SUPERVISOR <b>Kevin J Tepen</b>	
		CPA FIRM TELEPHONE NUMBER <b>618-465-7717</b>	FAX NUMBER <b>618-465-7710</b>

**THE FOLLOWING INFORMATION MUST BE INCLUDED IN THE SINGLE AUDIT REPORT:**

- ☐ A copy of the CPA firm's most recent peer review report and acceptance letter has been submitted to ISBE (either with the audit or under separate cover).
- ☐ Financial Statements including footnotes Title 2 CFR §200.510 (a)
- ☐ Schedule of Expenditures of Federal Awards including footnotes Title 2 CFR §200.510 (b)
- ☐ Independent Auditor's Report Title 2 CFR §200.515 (a)
- ☐ Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* Title 2 CFR §200.515 (b)
- ☐ Independent Auditor's Report on Compliance with Requirements Applicable to each Major Program and Internal Control over Compliance Title 2 CFR §200.515 (c)
- ☐ Schedule of Findings and Questioned Costs Title 2 CFR §200.515 (d) (1) - (3)
- ☐ Summary Schedule of Prior Year Audit Findings Title 2 CFR §200.511 (b)
- ☐ Corrective Action Plan Title 2 CFR §200.511 (c)

**THE FOLLOWING INFORMATION IS HIGHLY RECOMMENDED TO BE INCLUDED:**

- ☐ Copy of Federal Data Collection Form Title 2 CFR §200.512 (b)
- ☐ Copy(ies) of Management Letter(s)

**Highland Community Unit School District No 5**  
**41-057005026**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ending June 30, 2016**

Federal Grantor/Pass-Through Grantor/Subrecipients * Program or Cluster Title and Major Program Designation	CFDA Number <sup>2</sup> (A)	ISBE Project # (1st 8 digits) or Contract #3 (B)	Receipts/Revenues		Expenditure/Disbursements <sup>4</sup>		Obligations/ Encumb. (G)	Final Status (H)	Budget (I)
			Year 7/1/14-6/30/15 (C)	Year 7/1/15-6/30/16 (D)	Year 7/1/14-6/30/15 (E)	Year 7/1/15-6/30/16 (F)			
US Department of Education (Passed Through ISBE)									
Title I - Low Income	84.010A	15-4300-00	241,808	1,527	241,808	1,527		243,335	264,666
Title I - Low Income	84.010A	16-4300-00		262,403		262,403		262,403	289,583
Title II - Teacher Quality	84.367A	15-4932-00	49,972	149	49,972	149		50,121	57,032
Title II - Teacher Quality	84.367A	16-4932-00		59,549		59,549		59,549	63,128
Special Education Cluster (M)									
IDEA Room and Board	84.027A	15-4625-00	98,759	65,414	98,759	65,414		164,173	N/A
IDEA Room and Board	84.027A	16-4625-00		229,245		229,245		229,245	N/A
IDEA Flow Through	84.027A	15-4620-00	556,206		556,206			556,206	570,909
IDEA Flow Through	84.027A	16-4620-00		569,622		569,622		569,622	584,406
Pre-School Flow Through	84.173A	15-4600-00	17,991		17,991			17,991	17,991
Pre-School Flow Through	84.173A	16-4600-00		17,709		17,709		17,709	17,709
Passed Through St. Clair County ROE									
Math and Science Area Partnerships	84.3666B	16-4999-00		7,325		7,325		7,325	N/A
Pre-School Discretionary	84.173	16-4605-00		80		80		80	N/A

• (M) Program was audited as a major program as defined by §200.518.

\* **NEW** - Also include the total amount provided to subrecipients from each Federal program. §200.510 (b)(4).

The accompanying notes are an integral part of this schedule.

<sup>1</sup> To meet state or other requirements, auditees may decide to include certain nonfederal awards (for example, state awards) in this schedule. If such nonfederal data are presented, they should be segregated and clearly designated as nonfederal. The title of the schedule should also be modified to indicate that nonfederal awards are included.

<sup>2</sup> When the CFDA number is not available, the auditee should indicate that the CFDA number is not available and include in the schedule the program's name and, if applicable, other identifying number.

<sup>3</sup> When awards are received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included in the schedule. §200.510 (b)(2)

<sup>4</sup> The Uniform Guidance requires that the value of federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end be included in either the schedule or a note to the schedule. Although it is not required, the Uniform Guidance states that it is preferable to present this information in the schedule (versus the notes to the schedule). If the auditee presents non-cash assistance in the notes to the schedule, the auditor should be aware that such amounts must still be included in part III of the data collection form.

**Highland Community Unit School District No 5**  
**41-057005026**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ending June 30, 2016**

Federal Grantor/Pass-Through Grantor/Subrecipients * Program or Cluster Title and Major Program Designation	CFDA Number <sup>2</sup> (A)	ISBE Project # (1st 8 digits) or Contract #3 (B)	Receipts/Revenues		Expenditure/Disbursements <sup>4</sup>		Obligations/ Encumb. (G)	Final Status (H)	Budget (I)
			Year 7/1/14-6/30/15 (C)	Year 7/1/15-6/30/16 (D)	Year 7/1/14-6/30/15 (E)	Year 7/1/15-6/30/16 (F)			
US Department of Education									
Passed Through Madison County ROE									
Title I - School Improvement & Accountability	84.010A	16-4331		3,996		3,996		3,996	N/A
McKinney Education for Homeless Children	84.169A	16-4920-00		754		754		754	N/A
Passed Through Madison County CTE System									
VE - Title III E - Tech Prep	84.048	15-4770-00	15,130		15,130			15,130	N/A
VE - Title III E - Tech Prep	84.048	16-4770-00		16,122		16,122		16,122	N/A
Passed Through Illinois Dept of Human Services									
DORS	84.126	46CTD00060	17,697		17,697			17,697	17,697
DORS	84.126	46CTD00060		16,848		16,848		16,848	17,700
Total US Department of Education			997,563	1,250,743	997,563	1,250,743		2,248,306	
Department of Health and Human Services									
Passed Through Illinois Dept of Healthcare & Human Services									
Medicaid Outreach	93.778	15-4991-00	48,203		48,203			48,203	N/A
Medicaid Outreach	93.778	16-4991-00		44,875		44,875		44,875	N/A

\* (M) Program was audited as a major program as defined by §200.518.

\* NEW - Also include the total amount provided to subrecipients from each Federal program. §200.510 (b)(4).

The accompanying notes are an integral part of this schedule.

<sup>1</sup> To meet state or other requirements, auditees may decide to include certain nonfederal awards (for example, state awards) in this schedule. If such nonfederal data are presented, they should be segregated and clearly designated as nonfederal. The title of the schedule should also be modified to indicate that nonfederal awards are included.

<sup>2</sup> When the CFDA number is not available, the auditee should indicate that the CFDA number is not available and include in the schedule the program's name and, if applicable, other identifying number.

<sup>3</sup> When awards are received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included in the schedule. §200.510 (b)(2)

<sup>4</sup> The Uniform Guidance requires that the value of federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end be included in either the schedule or a note to the schedule. Although it is not required, the Uniform Guidance states that it is preferable to present this information in the schedule (versus the notes to the schedule). If the auditee presents non-cash assistance in the notes to the schedule, the auditor should be aware that such amounts must still be included in part III of the data collection form.

**Highland Community Unit School District No 5**  
**41-057005026**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ending June 30, 2016**

Federal Grantor/Pass-Through Grantor/Subrecipients * Program or Cluster Title and Major Program Designation	CFDA Number <sup>2</sup> (A)	ISBE Project # (1st 8 digits) or Contract #3 (B)	Receipts/Revenues		Expenditure/Disbursements <sup>4</sup>		Obligations/ Encumb. (G)	Final Status (H)	Budget (I)
			Year 7/1/14-6/30/15 (C)	Year 7/1/15-6/30/16 (D)	Year 7/1/14-6/30/15 (E)	Year 7/1/15-6/30/16 (F)			
Total Dept of Healthcare & Human Services			48,203	44,875	48,203	44,875		93,078	
US Department of Agriculture (Passed Through ISBE)									
School Lunch Program Cluster (M)									
Regular - Free and Reduced	10.555	15-4210-00	331,327	74,432	331,327	74,432		405,759	N/A
Regular - Free and Reduced	10.555	16-4210-00		267,509		267,509		267,509	N/A
Special School Milk	10.556	15-4215-00	1,375	181	1,375	181		1,556	N/A
Special School Milk	10.556	16-4215-00		1,042		1,042		1,042	N/A
Breakfast	10.553	15-4220-00	71,282	14,195	71,282	14,195		85,477	N/A
Breakfast	10.553	16-4220-00		61,266		61,266		61,266	N/A
Food Distribution Commodities - ISBE	10.555	N/A		55,523		55,523		55,523	N/A
Food Distribution Commodities - DOD	10.555	N/A		35,185		35,185		35,185	N/A
Total US Department of Agriculture			395,815	555,236	395,815	555,236		951,051	
Total Federal Award Program			1,449,750	1,804,951	1,449,750	1,804,951		3,254,701	

• (M) Program was audited as a major program as defined by §200.518.

\* NEW - Also include the total amount provided to subrecipients from each Federal program. §200.510 (b)(4).

The accompanying notes are an integral part of this schedule.

<sup>1</sup> To meet state or other requirements, auditees may decide to include certain nonfederal awards (for example, state awards) in this schedule. If such nonfederal data are presented, they should be segregated and clearly designated as nonfederal. The title of the schedule should also be modified to indicate that nonfederal awards are included.

<sup>2</sup> When the CFDA number is not available, the auditee should indicate that the CFDA number is not available and include in the schedule the program's name and, if applicable, other identifying number.

<sup>3</sup> When awards are received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included in the schedule. §200.510 (b)(2)

<sup>4</sup> The Uniform Guidance requires that the value of federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end be included in either the schedule or a note to the schedule. Although it is not required, the Uniform Guidance states that it is preferable to present this information in the schedule (versus the notes to the schedule). If the auditee presents non-cash assistance in the notes to the schedule, the auditor should be aware that such amounts must still be included in part III of the data collection form.

# Highland Community Unit School District No 5

## NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (SEFA)

Year Ending June 30, 2016

### Note 1: Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Highland CUSD #5 and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

### Note 2: Indirect Facilities & Administration costs

Auditee elected to use 10% de minimis cost rate?

X

YES

       NO

### Note 3: Subrecipients

Of the federal expenditures presented in the schedule, no federal were provided federal awards to subrecipients.

### Note 4: Non-Cash Assistance

The following amounts were expended in the form of non-cash assistance and are included in the Schedule of Expenditures of Federal Awards:

NON-CASH COMMODITIES (CFDA 10.555)\*\*:

\$90,708

OTHER NON-CASH ASSISTANCE

                    

### Note 5: Other Information

Insurance coverage in effect paid with Federal funds during the fiscal year:

Property

None

Auto

                    

General Liability

                    

Workers Compensation

                    

Loans/Loan Guarantees Outstanding at June 30:

                    

District had Federal grants requiring matching expenditures

No

(Yes/No)



**Highland Community Unit School District No 5**  
**41-057005026**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ending June 30, 2016**

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

**FINANCIAL STATEMENTS**

Type of auditor's report issued: Adverse  
(Unmodified, Qualified, Adverse, Disclaimer)

**INTERNAL CONTROL OVER FINANCIAL REPORTING:**

- Material weakness(es) identified?        YES   X   None Reported
- Significant Deficiency(s) identified that are not considered to be material weakness(es)?        YES   X   None Reported
- Noncompliance noted?        YES   X   NO

**FEDERAL AWARDS**

**INTERNAL CONTROL OVER MAJOR PROGRAMS:**

- Material weakness(es) identified?        YES   X   None Reported
- Significant Deficiency(s) identified that are not considered to be material weakness(es)?        YES   X   None Reported

Type of auditor's report issued on compliance for major programs: Unmodified  
(Unmodified, Qualified, Adverse, Disclaimer)

Any audit findings disclosed that are required to be reported in accordance with §200.516 (a)?        YES   X   NO

**IDENTIFICATION OF MAJOR PROGRAMS:**

CFDA NUMBER(S)	NAME OF FEDERAL PROGRAM or CLUSTER
	Special Education Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000.00

Auditee qualified as low-risk auditee?        YES   X   NO

Highland Community Unit School District No 5  
41-057005026  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ending June 30, 2016

SECTION II - FINANCIAL STATEMENT FINDINGS

1. FINDING NUMBER: None 2. THIS FINDING IS: ☐ New ☐ Repeat from Prior Year?  
Year originally reported? \_\_\_\_\_

3. Criteria or specific requirement

4. Condition

5. Context

6. Effect

7. Cause

8. Recommendation

9. Management's response

For ISBE Review

Date

Resolution Criteria Code Number

Initials

Disposition of Questioned Costs Code Letter

Highland Community Unit School District No 5  
41-057005026  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ending June 30, 2016

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

1. FINDING NUMBER: None 2. THIS FINDING IS: ☐ New ☐ Repeat from Prior year?  
Year originally reported? \_\_\_\_\_

3. Federal Program Name and Year: \_\_\_\_\_

4. Project No.: \_\_\_\_\_ 5. CFDA No.: \_\_\_\_\_

6. Passed Through: \_\_\_\_\_

7. Federal Agency: \_\_\_\_\_

8. Criteria or specific requirement (including statutory, regulatory, or other citation)  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

9. Condition  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

10. Questioned Costs  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

11. Context  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

12. Effect  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

13. Cause  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

14. Recommendation  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

15. Management's response  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

For ISBE Review

Date

Initials

Resolution Criteria Code Number

Disposition of Questioned Costs Code Letter

Highland Community Unit School District No 5  
41-057005026  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
Year Ending June 30, 2016

<u>Finding Number</u>	<u>Condition</u>	<u>Current Status</u>
None		